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NID 81 [REDACTED]

April 07, 1981

POLAND: Martial Law Under Consideration

*The Polish Government is attempting to gather domestic political support for the possible imposition of martial law and wants parliament to make the decision--probably at its scheduled session on Friday--but has encountered opposition to the plan. Prime Minister Jaruzelski has pledged to drop the idea if it fails to get sufficient backing but may feel compelled to take some action to blunt Soviet pressures. Warsaw Pact military activity in and around Poland, meanwhile, remains at a high level, but we have detected no new movement of Soviet units into the country.*

[REDACTED]

Jaruzelski reportedly is seeking support from the Church and parliament for a plan, approved by party leader Kania, that would grant him special powers. [REDACTED] the plan would allow the Prime Minister to replace all civilian governors with military officials, purge the party leadership, and take action against dissidents and extremists in Solidarity. [REDACTED]

We find it plausible that Jaruzelski would try to get broad political support for martial law, especially from the Church, but find it less credible that he would be allowed to meddle in party affairs. The Soviets would not endorse what would amount to military control over the party. We also doubt that he would take precipitous action against Solidarity that would provoke the kind of confrontation he has been trying to avoid. [REDACTED]

[REDACTED]

The postponement of the parliament session until this Friday suggests that Jaruzelski may have run into difficulties getting support for his plan. Some in the Polish party leadership have warned him that this plan would only lead to a confrontation that the Polish security services could not handle and provide the pretext for possible Soviet intervention. [REDACTED]

We cannot exclude the possibility that, because of intense Soviet pressure, Jaruzelski and Kania will go ahead with some kind of martial law plan without gaining the full domestic political backing they are seeking. They could implement a form of martial law in which the

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government does not initiate any arrests, but makes them only in response to strike action by dissidents and Solidarity activists. Even such a half measure would still carry a substantial risk of provoking a confrontation with Solidarity which could lead to a Soviet intervention. [REDACTED]

#### Husak's Hard Line

Czechoslovak party leader Husak's opening speech to the party congress yesterday included his toughest treatment yet of the Polish situation. For the first time, Husak compared the situation to other periods of crisis in Eastern Europe, invoked the Brezhnev doctrine, and failed to express any confidence in the ability of the Polish party to handle the situation. Husak had previously left these themes to hardliners and the Czechoslovak press. We expect Soviet President Brezhnev to address the congress today. [REDACTED]

#### Military Situation

Warsaw Pact military activity in and around Poland continued yesterday at about the same high level as over the weekend. [REDACTED]

[REDACTED] the western USSR showed no evidence that general mobilization had begun. [REDACTED]

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Bank Meeting in London

Polish officials asked Western bankers meeting in London last week to overlook missed payments until a re-scheduling can be worked out. The Poles requested that principal payments falling due between 26 March and 30 June be deferred for six months. These payments would then be consolidated in the amounts to be rescheduled. The Poles agreed to meet their interest payments and to pay interest monthly on the rolled-over maturities. Although the banks made no commitments, they agreed to recommend that other banks in their respective countries go along. [REDACTED]

Despite the somewhat optimistic reports from the meeting, the bankers and Polish officials still fear that a bank may take legal action and cause a formal default. The widespread expectation that the USSR would come to Poland's financial rescue, moreover, was doused by a Polish statement that no more Soviet funds would be available until at least late this year. [REDACTED]